

Self-Employed Income Analysis

Borrower Name

Property Address

General Instructions: This form is to be used as a guide in Underwriting the Self-employed borrower. The underwriter has a choice in analysing the Individual Tax return by either the Schedule Analysis Method or the Adjusted Gross Income (AGI) Method.

The AGI Method begins with adjusted gross income from the individual tax returns and either increases or decreases that figure after analysing specific lines and schedules of the return. This method derives total income (both business and non-business). *If the borrower has passive activity unallowed losses or loss carryovers, use the Schedule Analysis Method of analysing income.*

Adjusted Gross Income (AGI) Method

| | | | |
|--|------|------|------|
| A. Individual Tax Return (1040) | 19__ | 19__ | 19__ |
| 1. Adjusted Gross Income | | | |
| Income Section: | | | |
| 2. Wages, salary considered elsewhere | (-) | | |
| 3. Taxable Interest Income | (-) | | |
| 4. Tax-exempt Interest Income | (+) | | |
| 5. Dividend Income | (-) | | |
| 6. Taxable Refunds | (-) | | |
| 7. Alimony | (-) | | |
| 8. Business Income or Loss - Schedule C | | | |
| a. Depletion | (+) | | |
| b. Depreciation | (+) | | |
| c. 20% Meals and Entertainment Exclusion | (-) | | |
| 9. (-) Capital Gain or (+) Capital Loss - Schedule D | | | |
| 10. IRA Distributions (non-taxable) | (+) | | |
| 11. Pensions and Annuities (non-taxable) | (+) | | |
| 12. Schedule E - Depreciation | (+) | | |
| 13. Schedule F - Depreciation | (+) | | |
| 14. Unemployment Compensation | (-) | | |
| 15. Social Security Benefits (non-taxable) | (+) | | |
| 16. Other | | | |
| | | | |
| | | | |
| Adjustment Section: | | | |
| 17. IRA Deduction | (+) | | |
| 18. One-Half of Self-Employed Tax | (+) | | |
| 19. Self-Employed Health Insurance | (+) | | |
| 20. Keogh Retirement Plan | (+) | | |
| 21. Penalty for Early Withdrawal | (+) | | |
| 22. Alimony Paid | (+) | | |
| Additional Schedules: | | | |
| 23. Form 2106 Unreimbursed expenses (not fully deductible) | (-) | | |
| 24. Form 4562 Amortization | (+) | | |
| 25. Total | | | |

Complete sections B, C, and D only if the borrower needs more income to qualify for the loan than is shown in section A and the borrower has the legal right to draw additional income from the business to qualify for the loan.

B. Corporate Tax Return Form (1120) - Corporate Income to qualify the borrower will be considered only if the borrower can provide evidence of access to the funds

| | 19__ | 19__ | 19__ |
|---|-----------|-----------|-----------|
| 1. Taxable Income (Tax and Payments Section) | (+) _____ | _____ | _____ |
| 2. Total Tax (Tax and Payments Section) | (-) _____ | _____ | _____ |
| 3. Depreciation (Deductions Section) | (+) _____ | _____ | _____ |
| 4. Depletion (Deductions Section) | (+) _____ | _____ | _____ |
| 5. Mortgages, notes, bonds payable in less than one year (Balance Sheets Section) | (-) _____ | _____ | _____ |
| 6. Subtotal | _____ | _____ | _____ |
| 7. Times individual percentage of ownership | X _____ % | X _____ % | X _____ % |
| 8. Subtotal | _____ | _____ | _____ |
| 9. Dividend Income reflected on borrower's individual income tax returns | (-) _____ | _____ | _____ |
| 10. Total Income available to borrower | _____ | _____ | _____ |

C. S Corporation Tax Returns (Form 1120s) or Partnership Tax Returns (Form 1065) - Partnership or S Corporation income to qualify the borrower will be considered only if the borrower can provide evidence of access to the funds.

| | | | |
|---|-----------|-----------|-----------|
| 1. Depreciation (Deductions Section) | (+) _____ | _____ | _____ |
| 2. Depletion (Deductions Section) | (+) _____ | _____ | _____ |
| 3. Mortgages, notes, bonds payable in less than one year (Balance Sheets Section) | (-) _____ | _____ | _____ |
| 4. Subtotal | _____ | _____ | _____ |
| 5. Times individual percentage of ownership | X _____ % | X _____ % | X _____ % |
| 6. Total income available to borrower | _____ | _____ | _____ |
| Total Income Available (add A, B, C) | I _____ | II _____ | III _____ |

D. Year-to-Date Profit and Loss

Year-to-date income to qualify the borrower will be considered only if that income is in line with the previous year's earnings or if audited financial statements are provided.

| | | | |
|-------------------------------------|----------|-------------------------------------|----------|
| 1. Salary/Draws to Individual | | | \$ _____ |
| 2. Total Allowable add back | \$ _____ | X _____ % of individual ownership = | \$ _____ |
| 3. Total net profit | \$ _____ | X _____ % of individual ownership = | \$ _____ |
| 4. Total | | | \$ _____ |

Combined Total I, II, III, YTD = \$ _____ divided by _____ months = \$ _____ Monthly Average

This form is only a reference to help organize information from the tax returns. You must refer to the selling guide for our complete underwriting requirements on the self-employed.